

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 AF-08 ARA-06 EA-07 NEA-10 L-03
SP-02 ABF-01 OMB-01 TRSE-00 EB-08 CIAE-00 INR-07
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INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L USUN 0174

E.O. 11652: GDS
TAGS: UNDP, EAI
SUBJECT: 23RD UNDP GOVERNING COUNCIL - ACCUMULATED NON-
CONVERTIBLE CURRENCIES

1. DURING PLENARY DISCUSSIONS ON AGENDA ITEM 4 (FINANCIAL)
ALMOST EVERY DELEGATION RAISED THE ISSUE OF UNDP'S
ACCUMULATED NON-CONVERTIBLE CURRENCIES. CONCERN WAS
EXPRESSED IN STRONG TERMS BY WESTERN AND THIRD WORLD
DELEGATIONS ALIKE. IN THE FIRST GROUP, CANADA HAS BEEN
PARTICULARLY VOCAL CALLING FOR A FREEZE ON ACCEPTANCE
OF CONTRIBUTIONS IN THESE CURRENCIES UNTIL ACCUMULATIONS
ARE GONE. BRAZIL AND SIERRA LEONE HAVE BEEN PARTICULARLY
CRITICAL OF UNDP GIVING PREFERENTIAL TREATMENT TO DONORS
OF THESE CURRENCIES IN AN EFFORT TO OBTAIN MAXIMUM
UTILIZATION. THE FORMER TERMED THESE ARRANGEMENTS AS
"PRIVILEGE" WHEREAS THE LATTER COMPARED THEM TO "SELLING
A GOAT BUT HOLDING ON TO THE ROPE."

2. MEMBER OF THE U.S. DELEGATION (NORRIS) HAD INFORMAL
DISCUSSION WITH SOVIET DELEGATION MEMBER (LYSOV) ON
JANUARY 21 FOR THE PURPOSE OF CLARIFYING THE U.S. PRO-
POSAL ON THIS QUESTION. THE U.S. SIDE STRESSED THAT
THE PROPOSAL WAS AIMED SOLELY AT ADDRESSING A REAL FINANCIAL
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DIFFICULTY FACING THE PROGRAM AND THAT WE SOUGHT NO
POLITICAL ADVANTAGE FROM IT. LYSOV REPEATEDLY STATED
THAT HIS ASSUMPTION WAS THAT WE WERE APPROACHING THIS
MATTER AS A BUSINESS MANAGEMENT PROBLEM AND HE HAD NO
SUSPICIONS THAT OUR INTENTIONS WERE POLITICAL. HOWEVER,
HE POINTED OUT THAT CONSIDERATION OF THE MATTER IN THE
GOVERNING COUNCIL MADE IT IN FACT "POLITICAL". LYSOV'S

BASIC POSITION WAS THAT THE FIRST U.S. PROPOSAL WAS UNACCEPTABLE BECAUSE RUBLES COULD NOT BE BOUGHT, SOLD OR SUBSTITUTED. THE PRESENT RESTRICTIONS ON THE SOVIET CONTRIBUTIONS PERMIT THE USSR TO MAKE INPUTS INTO A PROGRAM WHICH IS GEARED TO THE CAPITALISTIC, MARKET-ORIENTED FINANCIAL SYSTEM. LYSOV STRESSED THAT UNDP WAS A VOLUNTARY PROGRAM AND THAT USSR WAS OPERATING ENTIRELY WITHIN CURRENT UNDP FINANCIAL REGULATIONS IN CONTRIBUTING RUBLES SINCE THEY ARE "READILY USABLE." THE PREFERRED SOVIET POSITION WAS THAT THIS WHOLE QUESTION BE REMOVED FROM THE AGENDA.

3. NORRIS STRESSED OUR OBJECTIVES WERE NON-POLITICAL. THESE ACCUMULATIONS ARE AFFECTING THE BASIC SOLVENCY OF UNDP AND UNLESS A CHANGE IS MADE THEY WILL SOON BLOCK FULL DELIVERY OF IPF'S TO RECIPIENT COUNTRIES. THE MAJORITY OF GC MEMBERS WERE SEEKING A SOLUTION AND THE PROBLEM THEREFORE COULD NOT BE PUT ASIDE. FURTHERMORE THE ADMINISTRATOR HAD ASKED THIS GOVERNING COUNCIL FOR SPECIFIC GUIDELINES. OUR PROPOSAL IS NOT THE ONLY POSSIBLE SOLUTION. WE WOULD WELCOME ANY OUTCOME WHICH DEALT WITH THE PROBLEM IN A DECISIVE NON-PRIVILEGED BASIS, WITHOUT "EMBARRASSING" THE SOVIET RUBLE.

4. DESPITE NEGATIVE REMARKS LYSOV SAID THE U.S. PROPOSAL WAS "NOT EXCLUDED" AND THAT HE WAS READY TO GO TO HIGHER AUTHORITY FOR A RULING. HE STRESSED THE OPINION HOWEVER THAT IT WAS AGAINST THE PRINCIPLES OF CONFIDENTIAL

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A SOCIALIST STATE. IT WAS AGREED INFORMAL DISCUSSIONS BETWEEN THE TWO DELEGATIONS WOULD CONTINUE NEXT WEEK. SHERER

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Message Attributes

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Concepts: ECONOMIC ASSISTANCE, MEETINGS, FOREIGN POLICY POSITION, CONVERTIBLE FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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